

OFFICE OF THE STATE AUDITOR



Government Accountability Office

Money on the Sidelines:
**REPORT ON UNSPENT
FUND BALANCES
Fiscal Year 2014**

Volume I - State Agencies

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The Mission of the Office of the State Auditor
Is Better Government for the People of New Mexico

OFFICE OF THE STATE AUDITOR

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MONEY ON THE SIDELINES:
VOLUME I: REPORT ON UNSPENT FUND BALANCES IN STATE GOVERNMENT

REPORT SUMMARY

The purpose of this report is to bring transparency to important fiscal information in an effort to inform the public and policy makers regarding the status of public dollars that are held in agency funds. This report is the first in a series with subsequent volumes to focus on funds held by municipalities, counties, school districts, and other local public bodies. Together, these reports are intended to provide a broad picture of government funds throughout the state that contain unspent balances. In compiling this report, the Office of the State Auditor aggregated publicly available information from the most current independently audited fiscal statements of state agencies corresponding to statutory and accounting standard fund and category definitions.

The State Auditor's Government Accountability Office withholds judgment as to what should or should not occur with respect to the balances within these funds. The New Mexico Constitution requires the state to have a balanced budget, so it is critical that state government maintains general fund reserves to cover any shortfalls if revenues are lower or expenses are higher than projected. Some fund balances serve a similar purpose within an agency for a specific project or a specific governmental function, while other fund balances represent money that could be spent on non-specified projects or functions.

REPORT HIGHLIGHTS

- \$4.5 billion of unspent public dollars in the State of New Mexico were spread across 737 different accounts throughout state agencies and affiliated entities, excluding fiduciary funds (permanent and pension funds).
- Of the \$4.5 billion in unspent dollars, almost \$2 billion resided in unspent capital infrastructure funds, including approximately \$1.2 billion in incomplete capital outlay projects and \$1 billion in infrastructure funds for road and water projects primarily in the New Mexico Finance Authority and the Environment Department.
- \$738 million was unspent for water projects in various state agencies' funds.
- \$473 million was unspent restricted special revenue spread across more than 260 different funds ranging from the Job Training Incentive Program (JTIP) to Medicaid fund surpluses.
- \$42 million was unspent for education projects within funds at the Public Education Department and the Public School Facilities Authority.
- Approximately \$30 million was in unspent assigned and unassigned balances in state agencies' operational general funds.

- Ten state agencies had the highest accumulated fund balances, including the following:
 1. Department of Finance and Administration with \$1.2 billion (capital outlay/infrastructure);
 2. Environment Department with \$628 million (water infrastructure);
 3. New Mexico Finance Authority with \$458 million (infrastructure);
 4. Department of Transportation with \$354 million (roads);
 5. New Mexico Mortgage Authority with \$242 million (housing);
 6. State Treasurer's Office with \$221 million (working capital);
 7. Department of Workforce Solutions with \$139 million (benefits);
 8. State Engineer's Office with \$65 million (water infrastructure);
 9. Department of Game and Fish with \$60 million (wildlife and fisheries); and
 10. Office of the Superintendent of Insurance with \$57 million (benefits).
- Conversely, multiple agencies' financial audits reported fund deficits totaling to \$189 million.

METHODOLOGY AND SCOPE

This report is intended to provide an aggregation of funds throughout state government that contain unspent balances. The Office of the State Auditor withholds judgment as to what should or should not occur with respect to the balances within these funds. This report is solely focused on bringing transparency to this important fiscal information in an effort to inform the public and policy makers regarding the status of expenditures of state resources. Appendix C explains how public dollars are placed in these various funds.

In compiling this report, the Office of the State Auditor used information from the most current independently audited financial statements of state agencies for fiscal year 2014 (FY14, spanning July 1, 2013 to June 30, 2014), corresponding to statutory and accounting standard fund and category definitions. The overall results are preliminary only because not all agencies have completed an audit of their FY14 financial statements. To the extent FY14 agency audits were not available, fiscal year 2013 (FY13, spanning July 1, 2012 to June 30, 2013) figures were utilized. Specifically, the following agencies used FY13 audit data due to the unavailability of a completed and approved FY14 financial audit:

- 218 Administrative Office of the Courts
- 354 New Mexico Sentencing Commission
- 356 Office of the Governor
- 460 New Mexico State Fair
- 605 Martin Luther King, Jr. Commission
- 647 Developmental Disabilities Planning Council
- 662 Miners' Colfax Medical Center
- 669 Health Policy Commission (FY09 financial audit available)
- 924 Public Education Department

Pension-related funds managed by the New Mexico Educational Retirement Board, Retiree Health Care Authority and the Public Employees Retirement Association of New Mexico, as well as fiduciary trust funds within the purview of the State Investment Council, such as the land grant permanent fund, and non-spendable funds such as capital assets, are not discussed within the scope of this report. However, Appendix A provides data on the total fund amounts reported in the independent financial audits, including fiduciary funds and non-spendable funds, but excluding the land grant and severance tax bond funds.

This report utilizes standard rounding procedures with some data depicted to the nearest hundred thousand to provide more detail.

This preliminary report is Volume I in a planned series of reports on unspent fund balances across New Mexico. Volume I pertains to funds managed by state entities. Subsequent volumes will focus on the funds of local entities such as cities, counties, school districts, municipalities, and special districts. The State Auditor's Government Accountability Office intends to issue these reports on an annual basis to provide comparative data.

ABOUT THE GOVERNMENT ACCOUNTABILITY OFFICE

The State Auditor established the Government Accountability Office (GAO) to inform and report to the public on the use public funds. As the New Mexico Supreme Court stated in 1968, "the office of state auditor was created and exists for the basic purpose of having a completely independent representative of the people, accountable to no one else, with the power, duty and authority to examine and pass upon the activities of state officers and agencies who, by law, receive and expend public moneys."

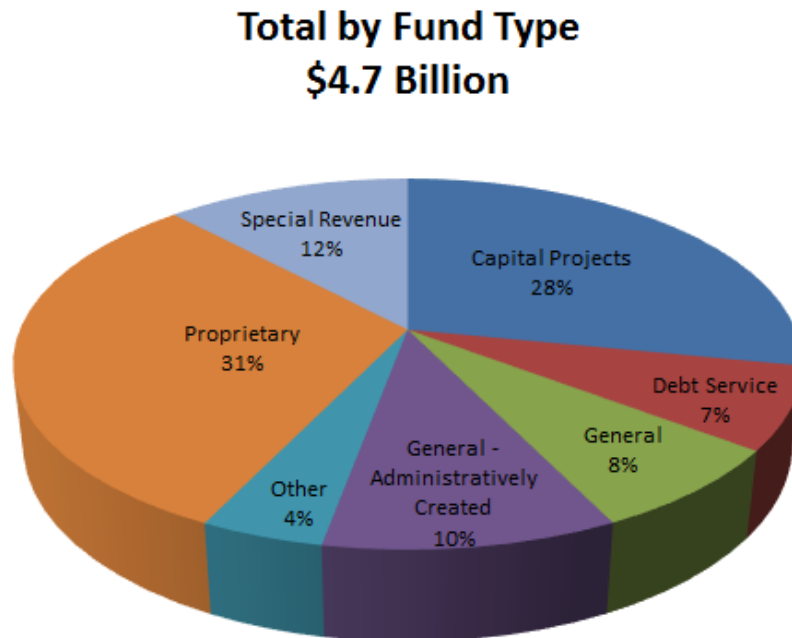
Section 12-6-3 of the New Mexico Statutes Annotated also addresses the Office's authority, stating, "In addition to the annual audit, the state auditor may cause the financial affairs and transactions of an agency to be audited in whole or in part." Sections 2.2.2.15 (A) and (B) of the 2014 New Mexico Administrative Code detail the process by which the Office of the State Auditor may "initiate a special audit, performance audit or attestation engagement regarding the financial affairs and transactions of an agency...." The Government Accountability Office is a key step towards fulfilling the Office of the State Auditor's constitutional mandate to bring transparency and accountability to the use of taxpayer dollars.

As part of the independent elected Office of the State Auditor, the Government Accountability Office (GAO) is uniquely positioned to synthesize audit data in a way that is accessible and useful to the public. Annual financial audits of state agencies and local public bodies contain a vast amount of information about our state's finances. The General Accountability Office analyzes and aggregates this information to provide insight into how we spend our tax dollars. Using objective analyses, the GAO brings transparency to questions regarding the equitable and efficient spending of money in areas such as health care, education and capital projects. In addition, the GAO participates in performance audits that ask and answer critical questions about compliance with the expenditure of state funds and effective use of state resources.

RESULTS

\$4.5 Billion in Total Fund Balances

A review and compilation of all 737 of the state's FY14 independently audited agencies' funds, minus fiduciary funds, reveals a total of \$4.7 billion in fund balances that have accrued in an array of state governmental funds. Of that amount, \$4.5 billion was unspent funds with the remaining \$200 million designated as non-spendable (i.e., capital assets and inventory).



The table below lists the governmental fund balances and classifications of fund balances compiled for all state agencies for FY14 or prior years when agencies did not have a completed and approved FY14 independent audit.

| Fund Type | Fund Balance Classification | | | | | Total |
|------------------------------------|-----------------------------|-------------------------|----------------------|-----------------------|-------------------------|-------------------------|
| | Restricted | Committed | Assigned | Unassigned | Deficit | |
| General | 117,469,846 | 173,439,506 | 10,038,092 | 20,030,549 | (22,866,045) | 298,111,948 |
| General - Administratively Created | 36,000,000 | | | 443,527,945 | | 479,527,945 |
| General - Statutorily Created | 193,461,494 | | | 1,000,000 | | 194,461,494 |
| Special Revenue | 473,001,587 | 62,129,162 | 608,210 | | (17,856,900) | 517,882,059 |
| Capital Projects | 109,755,486 | 1,216,582,283 | | 2,843 | (751,300) | 1,325,589,312 |
| Debt Service | 338,536,226 | | | | (300,000) | 338,236,226 |
| Proprietary | 1,043,036,310 | 132,477,000 | | 306,389,026 | (146,472,588) | 1,335,429,748 |
| | <u>\$ 2,311,260,949</u> | <u>\$ 1,584,627,951</u> | <u>\$ 10,646,302</u> | <u>\$ 770,950,363</u> | <u>\$ (188,246,833)</u> | <u>\$ 4,489,238,732</u> |

Governmental Fund Types

The types of funds included in the independent audits and compiled for this report include the following:

- General Funds contain all revenues that are not allocated by law to a specific fund or for a specific purpose. The general fund is the operating fund of the agency. New Mexico has 154 of these funds identified in the independent audits.
- General-Administratively Created Funds, also known as component appropriation funds, are funds that are included in the state general fund including the appropriation account fund, appropriation contingency reserve fund, federal mineral leasing fund, general operating fund, and tax stabilization reserve (see Appendix C for more information on these funds). New Mexico has six of these funds identified in the independent audits.
- General-Statutorily Created Funds, also included in the component appropriation funds, are funds created by the Legislature and included in the state general fund. An example of a general-statutorily created fund is the tobacco settlement permanent fund. New Mexico has four of these funds identified in the independent audits.
- Special Revenue Funds collect money that must be used for a specific project and is intended to provide an extra level of accountability and transparency to taxpayers and grantors that their dollars will go toward their intended purpose. Special revenue funds include the irrigation works construction fund, 911 enhancement fund, job training incentive program fund (JTIP), lottery tuition fund, Office of Natural Resources trustee fund, highway improvement bond fund, federal grant funds, and the oil reclamation fund. New Mexico has 345 of these funds identified in the independent audits.
- Capital Projects Funds are dollars assigned for building infrastructure such as construction of roads, dams, and new buildings. Capital projects funds include the public school capital outlay fund and the severance tax bond appropriations fund. New Mexico has 60 of these funds identified in the independent audits.
- Debt Service Funds contain dollars to service interest and principal payments on short- and long-term debt, including severance tax and general obligation bond funds, mortgage housing bond funds, and the GRIP road bonds. New Mexico has 57 of these funds identified in the independent audits.
- Proprietary Funds are business-like funds for transactions. Proprietary funds include enterprise funds and internal service funds such as the public liability fund, clean water administrative fund, wastewater facility construction loan fund, drinking water state revolving loan fund, and the public project revolving loan fund. New Mexico has 101 of these funds identified in the independent audits.
- Fiduciary Funds account for assets placed under the government's control when a governmental unit acts in a fiduciary capacity such as a trustee or agent. Fiduciary funds include the public employees' retirement fund, educational retirement fund, retiree health care fund, judicial and magistrate retirement funds, volunteer firefighters' retirement fund, and deferred compensation fund. New Mexico has eight of these funds identified in the independent audits. These funds are excluded from the results because of their relative unavailability for alternative use.

- Permanent Funds, for the purposes of this report, refer to two funds, the children's trust fund and children's trust fund next generation within the Children, Youth and Families Department.

Classifications of Fund Balances

The classification of funds included in the independent audits and compiled for this report include the following:

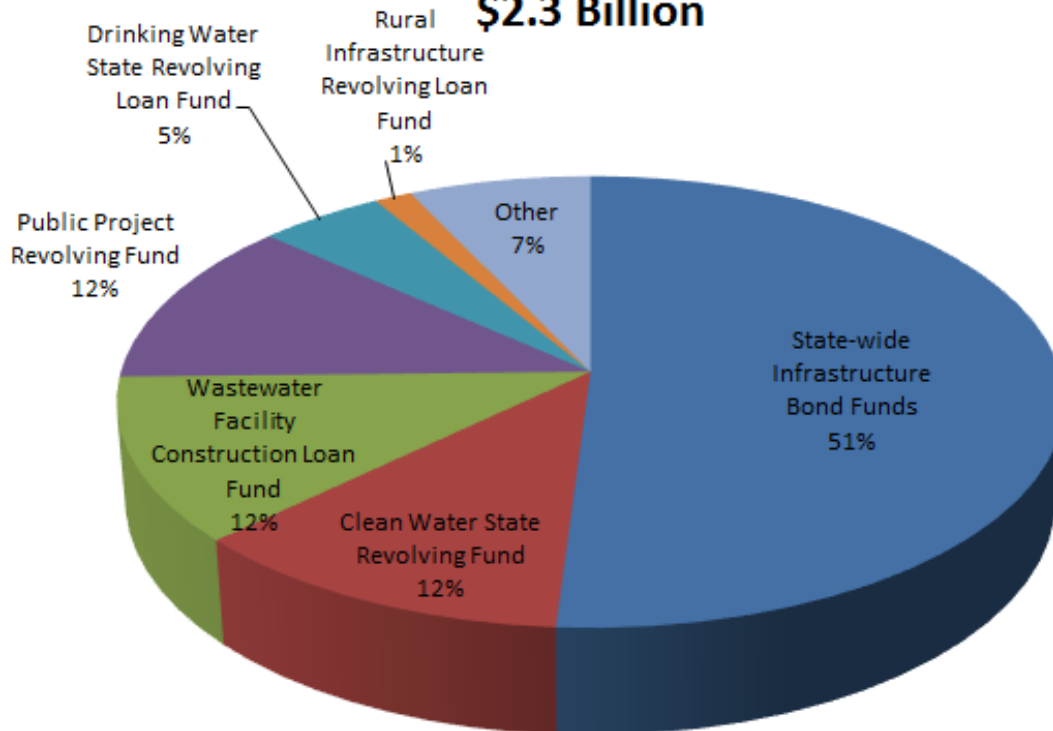
- Non-spendable fund balances are amounts that are not in a spendable form such as inventory, or are legally required to be maintained intact such as the corpus of an endowment fund. These funds are depicted in this report's tables as they are included in the independent audits, but are excluded from the results as are the fiduciary funds because of their relative unavailability for expenditure.
- Committed fund balances are amounts that can only be used for specific purposes by government itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Restricted fund balances are amounts that can only be used for specific purposes by their providers such as grantors, bond holders, and higher levels of government, through constitutional provisions or by enabling legislation. Proprietary restricted funds are primarily comprised of water projects administered by the Environment Department and infrastructure projects administered by the New Mexico Finance Authority.
- Assigned fund balances are amounts a government intends to use for a specific purpose. The intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balances are amounts that are available for any governmental purpose.

\$2 Billion in Unspent Capital Infrastructure Funds

The state maintained almost \$2 billion in FY14 unspent funds designated for infrastructure purposes. These funds are broken into capital project funds and proprietary restricted funds. The main agencies with unspent capital infrastructure in both capital infrastructure fund types are listed below with the approximate fund totals.

Unspent Infrastructure Funds

\$2.3 Billion



Unspent Capital Outlay Funds in Agencies

- Department of Finance and Administration, Board of Finance bond funds, general fund capital outlay statewide fund, tribal infrastructure fund, \$1.2 billion.
- Department of Transportation, bond and capital projects fund, \$101 million.
- Game and Fish Department, infrastructure projects fund, \$11.5 million.
- Office of the State Engineer, water and related infrastructure bond fund, \$10 million.
- Energy, Minerals and Natural Resources Department, environment infrastructure fund, \$4.3 million.
- Cultural Affairs Department, art in public places fund, \$2.4 million.
- Administrative Office of the Courts, statewide drug court technology fund, \$1.3 million.
- Public Education Department, public school improvement severance tax bond fund, \$1.5 million.

Unspent Restricted Proprietary Funds in Agencies

- Environment Department, clean water state revolving fund and wastewater facility construction loan fund, \$551.7 million.
- New Mexico Finance Authority, public project revolving fund and drinking water state revolving loan fund, \$163.6 million.
- Public Schools Facility Authority, benefit fund, \$42.3 million.
- Department of Information Technology, equipment replacement fund, \$39.7 million.

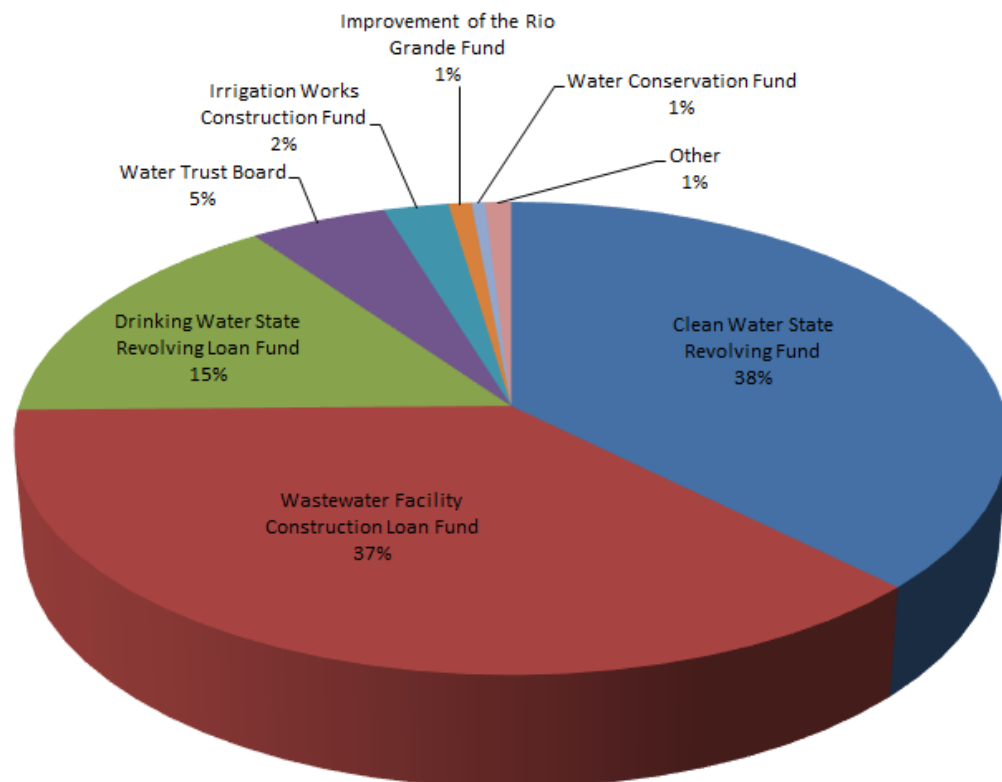
- Environment Department, rural infrastructure revolving loan fund, \$33.9 million.
- New Mexico Mortgage Authority, land title trust and housing trust fund, \$25.9 million.
- Department of Transportation, state infrastructure bank, \$20.7 million.

\$738 Million in Unspent Water-Related Funds

The State of New Mexico in FY14 had a total of \$738 million residing in funds associated with water—water conservation, dams, clean and safe water, drought programs, irrigations works and drinking water. The funds with the largest amount of balances included:

- Clean water state revolving fund, \$276.5 million.
- Wastewater facility construction loan fund, \$275.2 million.
- Drinking water state revolving loan fund, \$113.8 million.
- Water trust board, \$37.7 million.
- Irrigation works construction fund, \$16.4 million.
- Improvement of the Rio Grande fund, \$6.3 million.
- Water conservation fund, \$3.7 million.
- Special water rights adjudication, \$2 million.
- Clean water administrative fund, \$1.4 million.
- Indian water rights settlement fund, \$1.2 million.

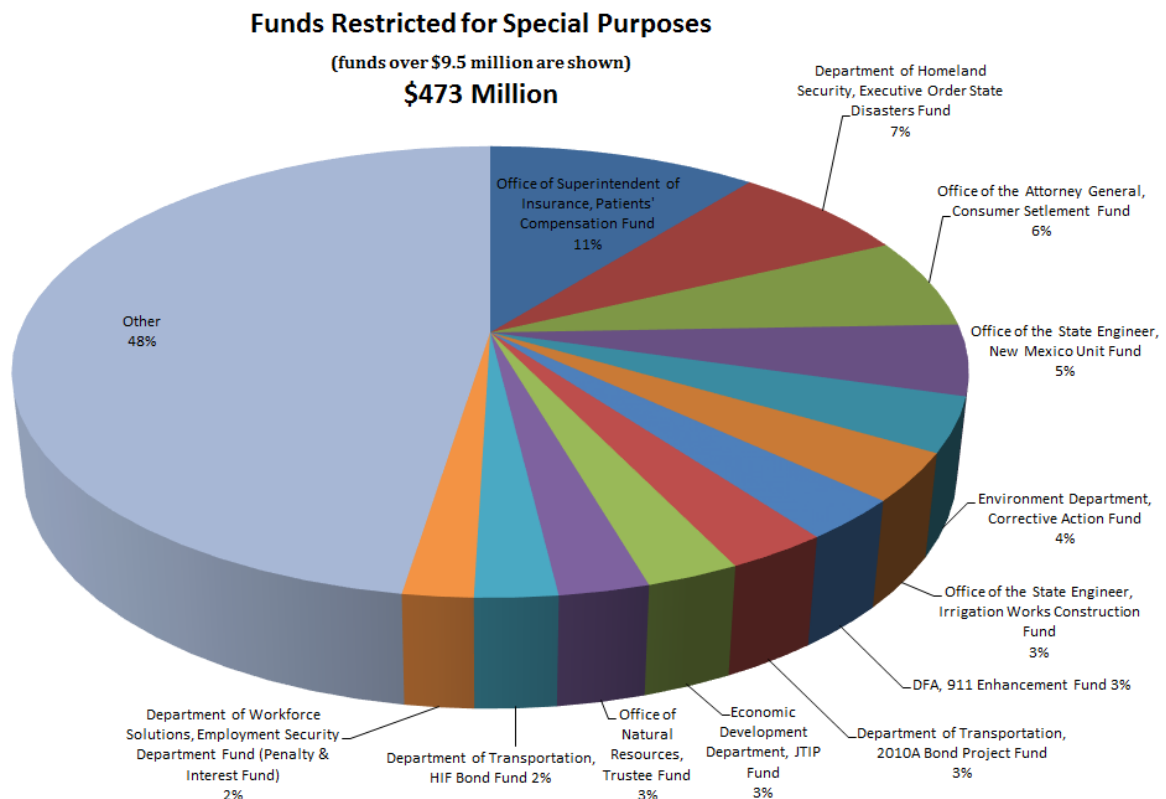
Water-Related Fund Balances \$738 Million



\$473 Million in Unspent Restricted Special Revenue Funds

The FY14 independent audits indicated there were 264 special revenue funds with restricted fund balances. The largest 15 special revenue funds with restricted fund balances represented 59 percent of the total special revenue funds, with restricted fund balances totaling approximately \$299 million. The remaining 249 funds make up the other 41 percent, or \$204 million. The 15 agencies with the largest unspent restricted special revenue fund balances included:

- Patients' compensation fund, \$50.9 million.
- Executive Order state disasters fund, \$34 million.
- Consumer settlement fund, \$30.6 million.
- New Mexico unit fund, \$24 million.
- Corrective action fund, \$18.5 million.
- Irrigation works construction fund \$16.4 million.
- 911 enhancement fund, \$14.1 million.
- Transportation bond project fund, \$13.9 million.
- Job training incentive program (JTIP) fund, \$12.8 million.
- Office of Natural Resources trustee fund, \$12.3 million.
- Highway improvement bond fund (HIF), \$11.2 million.
- Employment security fund, \$9.6 million.
- Oil reclamation fund, \$9.2 million.
- Capital buildings repair fund, \$8.5 million.
- Emergency fire disaster fund, \$7.6 million.



\$480 Million in Unspent State General Fund-Administrative Funds (Reserves)

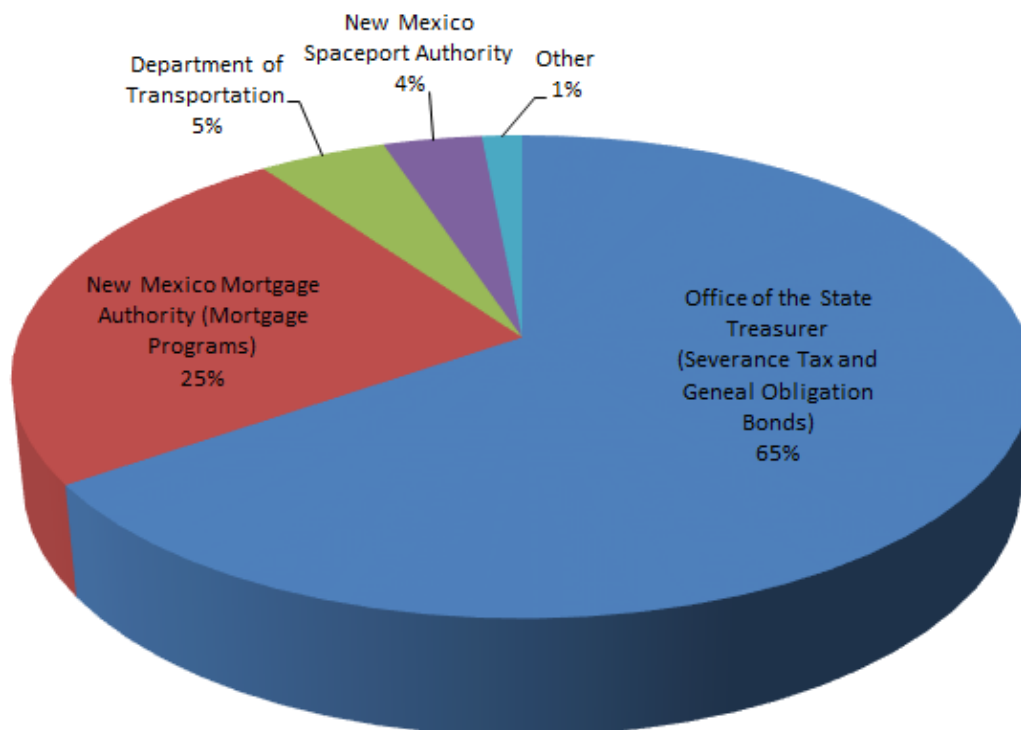
The state maintained almost half a billion dollars in three funds that serve as the state's financial reserves: the general operating fund (\$310.6 million), tax stabilization reserve fund (\$147.5 million), and the appropriation contingency reserve fund (\$21.5 million).

\$338 Million in Debt Service Funds

The state maintained over \$338 million in debt service funds in FY14 primarily in the following agencies' funds:

- Office of the State Treasurer, severance tax and general obligation bond funds, \$221 million.
- New Mexico Mortgage Authority, single family mortgage program fund, \$81 million.
- Spaceport Authority, regional spaceport district fund, \$12.4 million.
- Department of Transportation, GRIP and CHAT bond funds, \$14.2 million.

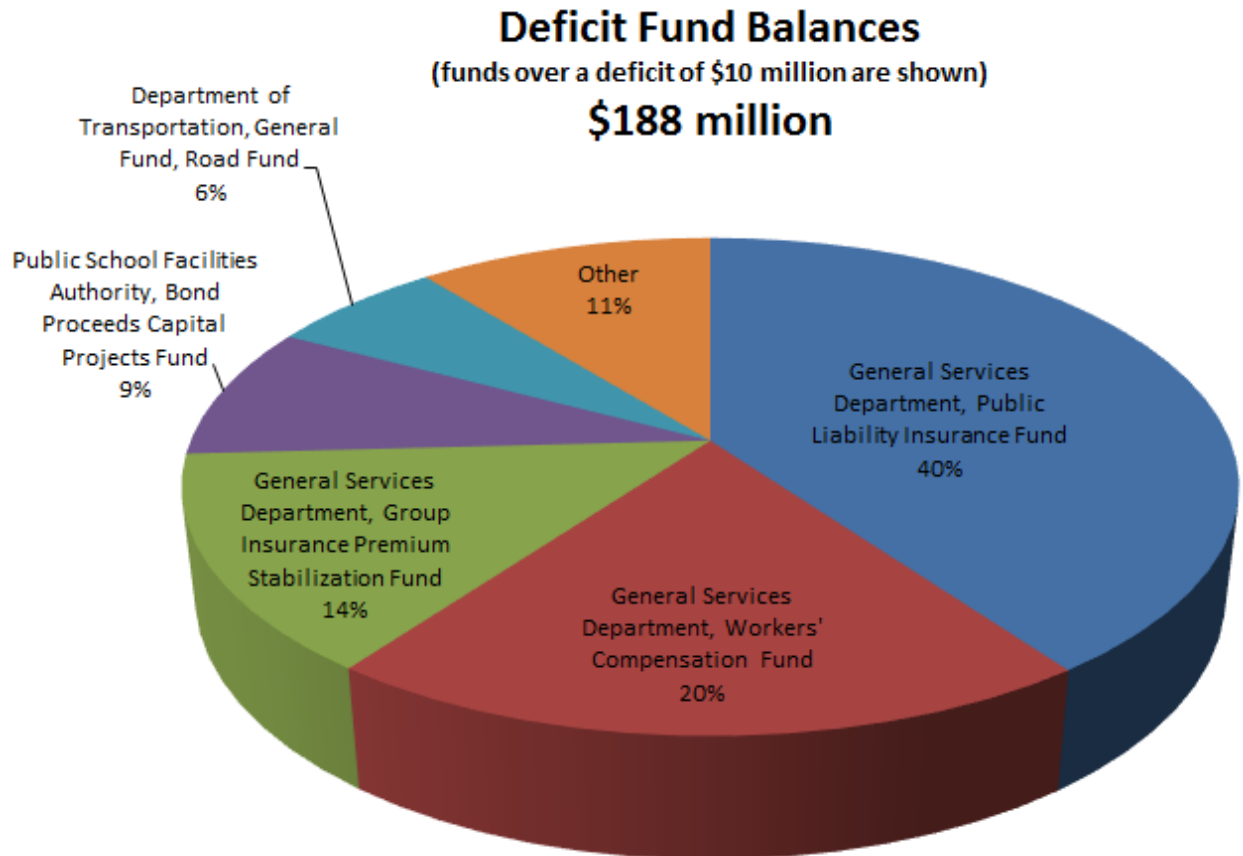
Debt Service \$338 Million



\$188 Million in Deficit Funds

The independently audited financial statements indicate there are deficit fund amounts noted for unassigned, committed and restricted classifications. These amounts are spread across many

agencies including \$134.5 million at the General Services Department within the public liability, workers' compensation, and group insurance funds; \$15.7 million at the Public Schools Facility Authority within the bond proceeds capital projects fund; \$11.6 million within the state road fund at the Department of Transportation; \$3.9 million in the miners' trust fund at the Miners' Hospital; and \$1.5 million in the Department of Military Affairs' general fund.



\$42 Million in Unspent Education Funds

The Public Education Department and the Public School Facilities Authority maintained fund balances totaling approximately \$42 million including the following:

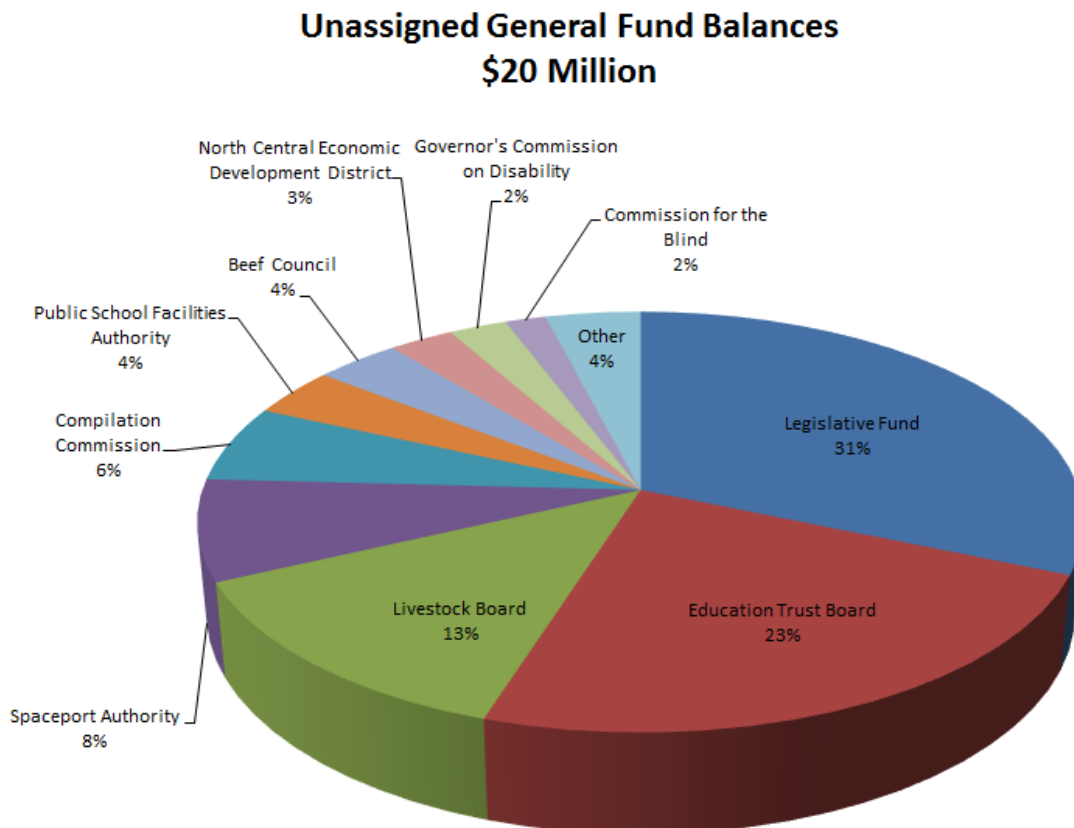
- Federal flow through funds for administration, \$10.7 million.
- Instructional materials flow through funds, \$3.9 million.
- Special projects funds, \$3.5 million.
- K-3 Plus funds, \$3.2 million.
- Transportation emergency funds, \$3 million.
- Indian education funds, \$3 million.
- Educator certification funds, \$2.8 million.
- Vocational rehabilitation funds, \$1.9 million.
- Public Education Department general operating funds, \$1.3 million.
- Public school capital outlay funds, \$1.1 million.
- Pre-kindergarten funds, \$1 million.

Concurrently, the independent audit noted negative fund balances of approximately \$17 million primarily within the Public School Facilities Authority, resulting in a net FY14 fund balance of approximately \$25 million within education-related funds.

\$30 Million in Unassigned and Assigned General Funds

Unassigned general fund balances represent available fund balances with no constraints and can effectively be used for non-designated governmental purposes as these funds are not restricted. The following agencies maintained approximately \$20 million in unassigned general fund balances in FY14:

- Legislative fund, \$6.3 million.
- Education Trust Board, \$4.7 million.
- Livestock Board, \$2.6 million.
- Spaceport Authority, \$1.6 million.
- Compilation Commission, \$1.2 million.
- Public School Facilities Authority, \$752 thousand.
- Board of Nursing, \$725 thousand.
- Beef Council, \$545 thousand.
- North Central Economic Development District, \$493 thousand.
- Regulation and Licensing Department, \$345 thousand.
- Border Authority, \$271 thousand.



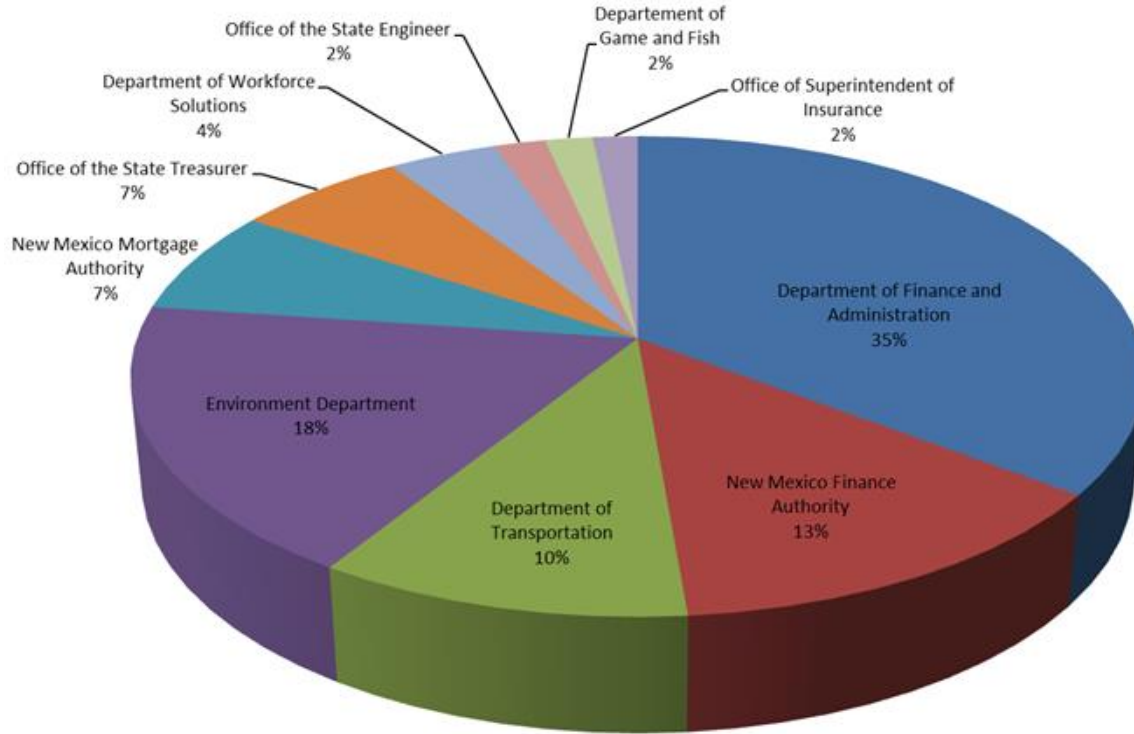
Agencies also had approximately \$10 million in assigned general fund balances, with the most notable being the Human Services Department, which had an assigned general fund balance of \$7.4 million.

STATE AGENCIES WITH LARGEST UNSPENT FUND BALANCES

When fiduciary funds are excluded, state agencies' FY14 fund balances totaled \$4.7 billion. The top 10 state agencies with the largest FY14 fund balances included:

1. Department of Finance and Administration, \$1.2 billion, primarily in the Board of Finance bond fund and the local DWI grant program fund.
2. Environment Department, \$628.9 million, with the largest balances in the clean water state revolving fund, wastewater facility construction loan fund, rural infrastructure revolving loan fund, corrective action fund, air quality fund, and the water conservation fund.
3. New Mexico Finance Authority, \$458.5 million, with the largest balances in the public project revolving fund, drinking water state revolving loan fund, and the water trust board.
4. Department of Transportation, \$354.7 million, primarily in the state road fund, local government road fund, bond funds, aviation fund, and capital projects fund.
5. New Mexico Mortgage Authority, \$242.1 million, with the largest balances in the housing opportunity fund, single family mortgage program bond fund, and land title trust and housing trust fund.
6. Office of the State Treasurer, \$221 million, with the severance tax and general obligation bond funds representing the largest amount, and \$9 million in a general unassigned fund.
7. Department of Workforce Solutions, \$139 million, with most funds in the unemployment insurance trust enterprise fund and the employment security department fund (penalty and interest fund).
8. Office of the State Engineer, \$65.9 million, with the largest amount of funds in the unit fund and irrigation works construction fund.
9. Department of Game and Fish, \$60.8 million, with the largest balances in the general restricted fund and the capital projects fund.
10. Office of the Superintendent of Insurance, \$57.4 million, with the largest balances in the special revenue funds, most notably the patients' compensation fund.

Top 10 State Agencies with Largest Unspent Total Fund Balances



The table below includes the entities with the largest fund balances with these entities maintaining balances of \$2 million and above.

| Entity | Unspent Fund Balance | Entity | Unspent Fund Balance |
|--|----------------------|--|----------------------|
| Department of Finance and Administration | \$ 1,218,279,524 | New Mexico Spaceport Authority | \$ 13,976,340 |
| State General Fund (Component Appropriation Funds) | \$ 673,989,439 | Department of Corrections | \$ 12,816,811 |
| New Mexico Finance Authority | \$ 458,448,121 | Office of Natural Resources | \$ 12,615,868 |
| Department of Transportation | \$ 354,743,561 | Human Services Department | \$ 10,475,186 |
| Environment Department | \$ 352,395,869 | Workers Compensation Administration | \$ 10,422,486 |
| Environment Department Clean Water State Revolving Fund | \$ 276,513,975 | Legislative- Fund #13300 | \$ 10,068,264 |
| New Mexico Mortgage Authority | \$ 242,105,000 | Commissioner of Public Lands | \$ 9,744,582 |
| Office of the State Treasurer | \$ 221,035,892 | Administrative Office of the Courts | \$ 9,652,034 |
| Department of Workforce Solutions | \$ 139,012,868 | Miners' Colfax Medical Center | \$ 8,645,211 |
| Office of the State Engineer | \$ 65,888,936 | Public Regulation Commission | \$ 8,164,224 |
| Game and Fish Department | \$ 60,798,099 | Cultural Affairs Department | \$ 6,729,355 |
| Office of Superintendent of Insurance | \$ 57,444,899 | Department of Public Safety | \$ 6,622,246 |
| New Mexico Public School Facilities Authority | \$ 48,152,354 | Legislative Council Service | \$ 4,928,719 |
| Public Education Department | \$ 39,839,204 | Education Trust Board | \$ 4,735,572 |
| Department of Information Technology | \$ 36,327,085 | Department of Health | \$ 4,363,315 |
| Energy, Minerals and Natural Resources | \$ 35,567,727 | Board of Professional Engineers & Land Surveyors | \$ 2,997,256 |
| Department of Homeland Security and Emergency Management | \$ 35,070,552 | New Mexico Livestock Board | \$ 2,896,945 |
| Tax and Revenue Department | \$ 33,181,485 | Higher Education Department | \$ 2,846,667 |
| Office of the Attorney General | \$ 30,777,907 | New Mexico Hospital Equipment Loan Council | \$ 2,710,233 |
| Regulation and Licensing Division | \$ 22,333,107 | New Mexico Medical Board | \$ 2,624,605 |
| New Mexico Economic Development Department | \$ 19,888,185 | North Central NM Economic Development District | \$ 2,204,056 |
| Children Youth and Families Department | \$ 15,933,151 | | |

LIST OF APPENDICES

- A. Summary of Fund Balances**
- B. Total Fund Balance by State Agency**
- C. Background on State Public Funds**
- D. Governmental Fund Type and Fund Balance Reporting Definitions**

APPENDIX A

Summary of Fund Balances

| Fund Type | Fund Balance Classification | | | | | | Nonspendable - Capital Assets | Total |
|------------------------------------|-----------------------------|-------------------------|----------------------|-----------------------|-------------------------|----------------------|----------------------------------|--------------------------|
| | Restricted | Committed | Assigned | Unassigned | Deficit | Nonspendable | | |
| General | 117,469,846 | 173,439,506 | 10,038,092 | 20,030,549 | (22,866,045) | 53,747,600 | | 351,859,548 |
| General - Administratively Created | 36,000,000 | | | 443,527,945 | | | | 479,527,945 |
| General - Statutorily Created | 193,461,494 | | | 1,000,000 | | | | 194,461,494 |
| Special Revenue | 473,001,587 | 62,129,162 | 608,210 | | (17,856,900) | 17,890,100 | | 535,772,159 |
| Capital Projects | 109,755,486 | 1,216,582,283 | | 2,843 | (751,300) | | | 1,325,589,312 |
| Debt Service | 338,536,226 | | | | (300,000) | | | 338,236,226 |
| Proprietary | 1,043,036,310 | 132,477,000 | | 306,389,026 | (146,472,588) | | 118,315,834 | 1,453,745,582 |
| Permanent | | | | | | 7,016,164 | | 7,016,164 |
| Fiduciary | 26,833,152,978 | | | | | | 856,200 | 26,834,009,178 |
| | <u>\$29,144,413,927</u> | <u>\$ 1,584,627,951</u> | <u>\$ 10,646,302</u> | <u>\$ 770,950,363</u> | <u>\$ (188,246,833)</u> | <u>\$ 78,653,864</u> | <u>\$ 119,172,034</u> | <u>\$ 31,520,217,608</u> |

APPENDIX B

Total Fund Balance by State Entity

| Entity # | Entity Name | Unspent Fund Balance | Entity # | Entity Name | Unspent Fund Balance |
|----------|--|-------------------------|----------|--|-------------------------|
| 111 | Legislative Council Service | \$ 4,928,719 | 521 | Energy, Minerals and Natural Resources | \$ 35,567,727 |
| 117 | Legislative Education Study Committee | \$ 7,121 | 521-A | Renewable Energy Transmission Authority | \$ 230,393 |
| 131 | Legislative- Fund #13300 | \$ 10,068,264 | 538 | New Mexico Intertribal Ceremonial Office | \$ 69,019 |
| 131-C | Legislative- Capitol Kitchen Fund #81100 | \$ 7,440 | 539 | Commissioner of Public Lands | \$ 9,744,582 |
| 208 | New Mexico Compilation Commission | \$ 1,182,737 | 547 | Cumbres and Toltec Scenic Railroad Commission | \$ 821,933 |
| 210 | Judicial Standards | \$ 1,595 | 550 | Office of the State Engineer | \$ 65,888,936 |
| 216 | Office of the Supreme Court | \$ 10,861 | 601 | Commission on the Status of Women | \$ 51,411 |
| 218 | Administrative Office of the Courts | \$ 9,652,034 | 604 | Commission for the Deaf and Hard of Hearing | \$ 1,870,130 |
| 305 | Office of the Attorney General | \$ 30,777,907 | 605 | Martin Luther King, Jr. Commission | \$ 11,580 |
| 306 | State General Fund (Component Appropriation Funds) | \$ 673,989,439 | 606 | Commission for the Blind | \$ 503,945 |
| 308 | Office of the State Auditor | \$ 1,114,559 | 609 | Indian Affairs Department | \$ 293,739 |
| 333 | Tax and Revenue Department | \$ 33,181,485 | 624 | Aging and Long Term Care Department | \$ 1,053,102 |
| 341 | Department of Finance and Administration | \$ 1,218,279,524 | 630 | Human Services Department | \$ 10,475,186 |
| 342 | New Mexico Public School Facilities Authority | \$ 48,152,354 | 631 | Department of Workforce Solutions | \$ 139,012,868 |
| 361 | Department of Information Technology | \$ 36,327,085 | 632 | Workers Compensation Administration | \$ 10,422,486 |
| 370 | Office of the Secretary of State | \$ 1,607,670 | 645 | Governor's Commission on Disability | \$ 370,502 |
| 385 | New Mexico Finance Authority | \$ 458,448,121 | 647 | Developmental Disabilities Planning Council | \$ 239,264 |
| 394 | Office of the State Treasurer | \$ 221,035,892 | 662 | Miners' Colfax Medical Center | \$ 8,645,211 |
| 404 | Board of Examiners for Architects | \$ 964,959 | 665 | Department of Health | \$ 4,363,315 |
| 417 | New Mexico Border Authority | \$ 781,037 | 667 | Environment Department | \$ 352,395,869 |
| 418 | Department of Tourism | \$ 1,119,588 | 667-A | Environment Department Clean Water State Revolving Fund | \$ 276,513,975 |
| 419 | New Mexico Economic Development Department | \$ 19,888,185 | 668 | Office of Natural Resources | \$ 12,615,868 |
| 420 | Regulation and Licensing Division | \$ 22,333,107 | 670 | Veterans Services Department | \$ 256,340 |
| 430 | Public Regulation Commission | \$ 8,164,224 | 690 | Children Youth and Families Department | \$ 15,933,151 |
| 440 | Office of Superintendent of Insurance | \$ 57,444,899 | 770 | Department of Corrections | \$ 12,816,811 |
| 446 | New Mexico Medical Board | \$ 2,624,605 | 780 | Crime Victims Reparation Commission | \$ 218,700 |
| 449 | Board of Nursing | \$ 1,045,526 | 790 | Department of Public Safety | \$ 6,622,246 |
| 452 | New Mexico Hospital Equipment Loan Council | \$ 2,710,233 | 795 | Department of Homeland Security and Emergency Management | \$ 35,070,552 |
| 460 | New Mexico State Fair | \$ 302,266 | 805 | Department of Transportation | \$ 354,743,561 |
| 464 | Board of Professional Engineers & Land Surveyors | \$ 2,997,256 | 809 | Southeastern NM Economic Development District | \$ 39,054 |
| 465 | Gaming Control Board | \$ 196,187 | 814 | New Mexico Mortgage Authority | \$ 242,105,000 |
| 469 | Racing Commission | \$ 12,990 | 821 | North Central NM Economic Development District | \$ 2,204,056 |
| 479 | Board of Veterinary Medicine | \$ 129,848 | 924 | Public Education Department | \$ 39,839,204 |
| 495 | New Mexico Spaceport Authority | \$ 13,976,340 | 925 | New Mexico Beef Council | \$ 614,984 |
| 505 | Cultural Affairs Department | \$ 6,729,355 | 949 | Education Trust Board | \$ 4,735,572 |
| 508 | New Mexico Livestock Board | \$ 2,896,945 | 950 | Higher Education Department | \$ 2,846,667 |
| 516 | Game and Fish Department | \$ 60,798,099 | | | |

Background on State Public Funds

The New Mexico Constitution requires the state to have a balanced budget, so state government maintains general fund reserves to cover any shortfalls if revenues are lower or expenses are higher than projected. These reserves are measured as a percent of recurring appropriations, or planned ongoing state spending. The state's general fund reserves are made up of several accounts: the operating reserve, tax stabilization reserve, taxpayers' dividend fund, appropriation contingency fund, and state support reserve fund.

Revenues remaining at the end of the fiscal year go into the operating reserve. If revenues are below projections, the Governor may transfer a capped amount of money from the operating reserve to cover authorized state spending. Operating reserve revenues greater than eight percent of ongoing appropriations are transferred to the tax stabilization reserve. Amounts in the tax stabilization reserve that exceed six percent of the previous fiscal year's authorized expenses are transferred to the taxpayers' dividend fund. If the taxpayers' dividend fund balance exceeds one percent of state personal income tax collection, the Governor is required to propose a method approved by the Legislature to refund the balance to taxpayers. The Legislature authorizes funds going in and out of the appropriation contingency fund, aside from a limited amount the Governor can use for a declared emergency. And any remaining balances over \$1 million from the public school district general obligation bonds loan fund go annually to the state support reserve fund for additional funding to public schools under the state equalization guarantee formula. (*Source: Legislative Finance Committee website, Fiscal Notes*)

Different Types of Appropriations

The Legislature annually appropriates most revenues and expenditures through the General Appropriation Act (GAA). The GAA includes recurring appropriations and performance targets for the goods and services provided by state agencies, public schools and higher education institutions. The GAA also includes special nonrecurring appropriations, supplemental appropriations for the current fiscal year, deficiency appropriations for the previous fiscal year, appropriations for information technology systems, compensation appropriations for public employees, authority to move money from the general fund to other funds, and authority for the Department of Finance and Administration to move funds from the operating reserve in case of a shortfall. However, not all appropriations are made through the General Appropriation Act. Capital outlay nonrecurring projects or tax bills are not included in the GAA.

State Revenue Funds

State agencies' budgets track revenues and expenditures for the previous, current and upcoming fiscal years. Revenue is defined within the General Appropriation Act as all money received by an agency from sources external to that agency, net of refunds and other correcting transactions, other than from issue of debt, liquidation of investments, or as agent or trustee for other governmental entities or private persons. New Mexico relies heavily on federal funds to support government-funded goods and services, and these federal funds are included in state agencies' budgets (New Mexico ranks ninth in the country in receiving federal aid according to the National Association of State Budget Officers). State agencies' budgets also include state revenues which are composed of state general fund revenues, internal service funds, and other state funds.

The general fund is the predominant fund for financing state operations. Approximately 80 percent of the general fund is derived from gross receipts and compensating taxes, selective sales taxes, income taxes, interest earning from the land grant and severance tax permanent funds, and balances held by the State Treasurer. Approximately half the general fund is expended for public schools and higher education, with another quarter used for health and human services. (*Source*: Legislative Finance Committee website, Fiscal Notes)

Internal service funds are revenues transferred to an agency for the financing of goods or services to another agency on a cost-reimbursement basis.

Other state funds include revenue sources that are explicitly noted by state law for particular governmental functions or activities. For example, a gasoline tax dedicated to a highway trust fund would appear as “other state funds,” and for the Medicaid program, other state funds may include provider taxes, fees, assessments, and local funds. (*Source*, General Appropriation Act of 2014)

These other state funds are broken into many more detailed specific funds within state agencies where revenue designated for a specific purpose accrues over time. There are hundreds of these funds and, prior to this report, data on these funds was not readily available. Most of these funds do not revert their balances annually to the general fund and many continue to accrue large balances over time. The type, source and amount of these accruing funds should be subject to public and legislative review and analysis as these revenues could potentially be re-allocated by the Legislature, or fully expended for the purposes for which they were initially allocated. This report, *Money on the Sidelines: Report on Fiscal Year 2014 Unspent Fund Balances in State Government*, is an effort to provide more data and information on these funds within the agencies of state government.

Governmental Fund Type and Fund Balance Reporting Definitions

General Fund

The general fund should be used to account for and report all financial resources not accounted for and reported in another fund. This is typically the primary operating fund of an entity and if an entity only has one governmental fund, it is a general fund.

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. For example, the activity related to a specific federal grant would be accounted for in a special revenue fund.

Capital Projects Funds

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. An example is the capital project fund of the Department of Transportation which is used to account for the purchase or construction of facilities used in the operations of the department.

Debt Service Funds

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds. An example is the general obligation bond fund at the Office of the State Treasurer. This fund accounts for property taxes levied by other state agencies (revenues) and the payment of the principal and interest payments due on the general obligation bonds (expenditures).

Permanent Funds

Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs for the benefit of the government or its citizenry. An example is the children's trust fund at the Children, Youth and Family Department. The fund accounts for assets (principal) that cannot be spent.

Proprietary Funds

Proprietary funds include enterprise fund and internal service funds.

Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. An example is the clean water state revolving fund at the Environment Department. The fund provides loans at reduced interest rates to finance the construction of publicly-owned water pollution control facilities, pollution control projects, and estuary management plans.

Internal service funds may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. Internal service funds should be used only if the reporting government is the predominant participant in the activity. Otherwise, the activity should be reported as an enterprise fund. An example would be a printing fund at a county whose primary customer is the county and charges other funds for the services.

Governmental Fund Balance Reporting (GASB 54)

According to the Governmental Accounting Standards Board Summary of Statement Number 54 (GASB 54), fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. That hierarchy is listed below.

Non-Spendable Fund Balance

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

Restricted Fund Balance

Amounts that are restricted for specific purposes should be reported as restricted fund balance. Fund balance should be reported as restricted when constraints placed on the use of resources are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- Imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority should be reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. An example would be through changes to legislation,

resolution, or ordinance. The authorization specifying the purposes for which amounts can be used should have the consent of both the legislative and executive branches of government, if applicable. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Fund Balance

Amounts that are constrained by the government's intent to be used for specific purposes, except for stabilization arrangements, but are neither restricted nor committed, should be reported as assigned fund balance. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. An example would be a budget or finance committee.

Unassigned Fund Balance

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.